

# Budget Brief – DAS General Services (ISF)

NUMBER CFAS-06-17

## SUMMARY

In 1997 the Legislature reorganized the Department of Administrative Services, merging Central Copying, Central Mail, and Central Stores into the Division of Purchasing. The new division became the Division of Purchasing and General Services. The General Services functions of the division are budgeted as internal service funds. The procurement function that enables other agencies to contract for goods and services is budgeted separately in the appropriated fund section.

The programs in this line item include:

- Administration
- Central Mailing
- Electronic Purchasing
- Print Services

The Administration Program is set up to account for the indirect costs (overhead) in delivering the services of the other three central services programs. All expenditures are passed through to the other programs in proportion to their share of the total division budget.

## ISSUES AND RECOMMENDATIONS

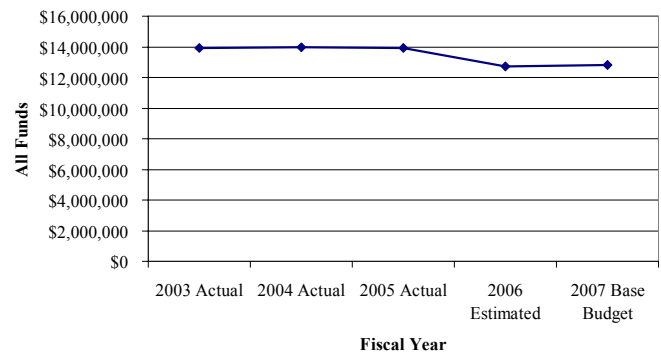
### *Privatization of High Speed Copy Center Functions*

In early 2005 the Utah Privatization Policy Board encouraged the division to privatize its high speed copy center function. This recommendation followed years of deficits from state-run copy centers.

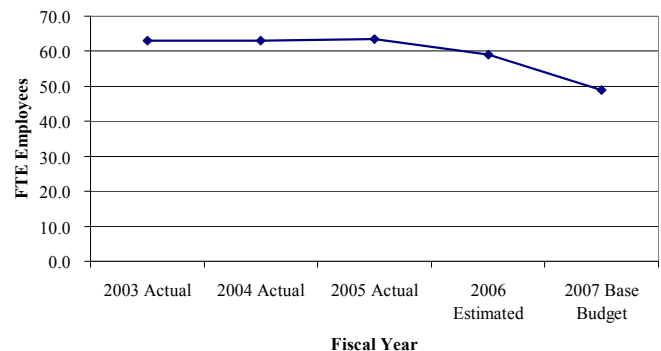
As a result the division issued an RFP and signed a contract with Xerox Corporation to provide copy centers. Xerox's pricing structure is beneficial to the state and should result in savings to customer agencies. A typical 8.5 x 11 white bond copy costs 3.25 cents per page, whether one-sided or double-sided, regardless of volume. The division's fees depended on volume, but were always higher and double-sided copies cost double. Xerox also provides free folding, drilling and tape binding.

As long as Xerox maintains a satisfactory level of customer service, the contract should enable the division to recoup the negative retained earnings of \$1.4 million while having access to the latest equipment without capital outlays. The division's proposed rates for FY 2007 add \$0.004 per impression debt elimination fee and \$0.005 per impression contract management fee.

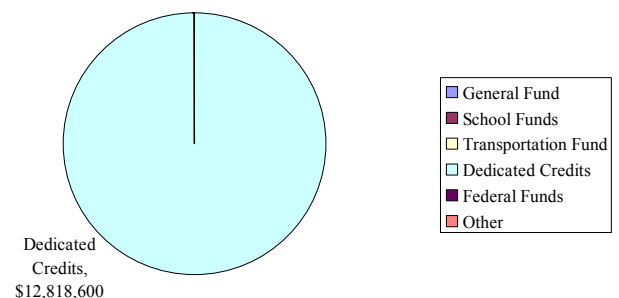
**Figure 1: ISF - Administrative Services - ISF - Purchasing & General Services - Budget History**



**Figure 2: ISF - Administrative Services - ISF - Purchasing & General Services - FTE History**



**Figure 3: ISF - Administrative Services - ISF - Purchasing & General Services - FY 2007 Funding Mix**



**ACCOUNTABILITY DETAIL*****Central Mailing – Tasks Performed per Man Hour***

State Mail Services is primarily a production environment. Efficiency can be measured by calculating the number of tasks performed per hour.



A “task” is each process for which the program has established a rate (e.g. folding, inserting, metering, OCRing, etc). Data are collected through barcodes with billing information. The division has a target of 865 per hour.

***Print Services Retained Earnings***

FY 2001	(\$1,604,500)
FY 2002	(\$1,109,700)
FY 2003	(\$1,067,400)
FY 2004	(\$1,164,600)
FY 2005	(\$1,364,900)

At the end of FY 2005 Print Services’ negative working capital exceeded 90 percent of the value of its fixed assets, a statutory threshold that triggers a need for corrective action. Total working capital was (\$3,848,700) while the total value of fixed assets was \$4,139,300. The division responded by outsourcing the copy centers.

***Self-Service Copier Lease Renewal Rate***

Beside copy centers contracted to Xerox, the division still leases self-service copiers to agencies. The rate at which customers renew their accounts is a good measure of the value provided by the service. In FY 2004, 95 percent of customers with expiring leases renewed through the division; in FY 2005, 97 percent renewed. The division’s target is a 100 percent renewal rate.

**BUDGET DETAIL**

Because the Administration program passes all of its expenditures through to the other three programs, its total budget is zero and it doesn't appear in the Budget Detail Table below. Estimated FY 2007 costs are \$291,600.

***Budget Recommendation for FY 2007:***

- Estimated revenues of \$12,818,600
- Rates as presented separately
- 49.0 FTE (down from 58 in FY 2005)
- Authorized Capital Outlay of \$2,408,400. Funds will be used, if needed, for:
  1. Replacement of R-150 meters in compliance with U.S. Postal Service mandates: \$200,000
  2. Acquisition of Jet Vision technology for use with intelligent inserters: \$180,000
  3. Replacement of self-service copiers expected to reach the end of their useful lives: \$1,778,400
  4. Acquisition of software to fully automate the state's procurement process: \$250,000

**LEGISLATIVE ACTION**

This section is a summary of what actions might be taken if the Legislature wishes to adopt the recommendations of this brief. The Analyst recommends the Legislature consider adopting:

1. Estimated revenues of \$12,818,600 for the General Services ISF
2. Rates as presented separately
3. 49.0 FTE
4. Authorized Capital Outlay of \$2,408,400

**BUDGET DETAIL TABLE****ISF - Administrative Services - ISF - Purchasing & General Services**

<b>Sources of Finance</b>	<b>FY 2005 Actual</b>	<b>FY 2006 Appropriated</b>	<b>Changes</b>	<b>FY 2006 Revised</b>	<b>Changes</b>	<b>FY 2007* Base Budget</b>
Dedicated Credits - Intragvt Rev	13,918,100	14,007,300	(1,238,600)	12,768,700	49,900	12,818,600
Sale of Fixed Assets	(14,100)	0	(40,000)	(40,000)	40,000	0
<b>Total</b>	<b>\$13,904,000</b>	<b>\$14,007,300</b>	<b>(\$1,278,600)</b>	<b>\$12,728,700</b>	<b>\$89,900</b>	<b>\$12,818,600</b>
<b>Programs</b>						
ISF - Central Mailing	9,119,500	8,817,000	183,900	9,000,900	40,000	9,040,900
ISF - Electronic Purchasing	329,600	324,000	6,600	330,600	50,000	380,600
ISF - Print Services	4,454,900	4,866,300	(1,469,100)	3,397,200	(100)	3,397,100
<b>Total</b>	<b>\$13,904,000</b>	<b>\$14,007,300</b>	<b>(\$1,278,600)</b>	<b>\$12,728,700</b>	<b>\$89,900</b>	<b>\$12,818,600</b>
<b>Categories of Expenditure</b>						
Personal Services	2,494,000	2,551,300	(408,700)	2,142,600	(7,000)	2,135,600
In-State Travel	6,200	8,300	(3,300)	5,000	0	5,000
Out of State Travel	1,000	1,400	400	1,800	0	1,800
Current Expense	9,837,700	9,315,400	(610,300)	8,705,100	10,500	8,715,600
DP Current Expense	24,300	39,300	(2,700)	36,600	(11,600)	25,000
Other Charges/Pass Thru	(236,000)	(286,700)	(17,300)	(304,000)	12,400	(291,600)
Depreciation	1,724,100	2,085,900	(341,400)	1,744,500	104,200	1,848,700
<b>Total</b>	<b>\$13,851,300</b>	<b>\$13,714,900</b>	<b>(\$1,383,300)</b>	<b>\$12,331,600</b>	<b>\$108,500</b>	<b>\$12,440,100</b>
<b>Other Data</b>						
Budgeted FTE	63.5	60.0	(0.9)	59.1	(10.1)	49.0
Actual FTE	58	0	0	0	0	0
Authorized Capital Outlay	1,899,900.0	3,861,000.0	(900,000.0)	2,961,000.0	(552,600.0)	2,408,400.0
Retained Earnings	1,051,000.0	1,343,400.0	104,700.0	1,448,100.0	378,500.0	1,826,600.0
Vehicles	14	16	(2)	14	0	14

\*Does not include amounts in excess of subcommittee's state fund allocation that may be recommended by the Fiscal Analyst.